

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ARA-10 EUR-12 EA-09 NEA-10 IO-10 ISO-00

AGR-10 SP-02 AID-05 NSC-05 CIEP-02 TRSE-00 SS-15

STR-04 OMB-01 CEA-01 COME-00 CIAE-00 DODE-00 INR-07

NSAE-00 PA-02 USIA-15 PRS-01 TAR-01 L-03 H-02 /141 W

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R 221704Z OCT 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5798

INFO AMEMBASSY ABIDJAN

AMEMBASSY ACCRA

AMEMBASSY BELGRADE

AMEMBASSY BERN

AMEMBASSY BOGOTA

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

AMEMBASSY CARACAS

AMEMBASSY CONAKRY

AMEMBASSY COPENHAGEN

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AMEMBASSY KINSHASA

AMEMBASSY KUALA LUMPUR

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AMEMBASSY LIBREVILLE

AMEMBASSY LOME

AMEMBASSY MADRID

AMEMBASSY MEXICO

AMEMBASSY MOSCOW

AMEMBASSY NEW DELHI

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY PORT OF SPAIN

AMEMBASSY QUITO

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AMEMBASSY ROME

AMEMBASSY SANTO DOMINGO
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO
AMEMBASSY YAOUNDE
AMCONSUL GUAYAQUIL
AMEMBASSY PORT MORESBY
AMCONSUL RIO DE JANEIRO
AMCONSUL SALVADOR
USMISSION EC BRUSSELS
USMISSION GENEVA
SUSMISSION OECD PARIS 2578

UNCLAS SECTION 1 OF 2 LONDON 16217

C O R R E C T E D C O P Y - F O R R E F

E.O. 11652: N/A
TAGS: EAGR EGEN UK
SUBJECT: COCOA: FT WRAP-UP OF GENEVA NEGOTIATIONS
REF: LONDON 15581

1. QUOTED BELOW IN FULL IS AN ITEM ON THE RECENT COCOA CONFERENCE, DATE-LINED GENEVA OCTOBER 20, WHICH APPEARED IN THE OCTOBER 2L EDITION OF THE FINANCIAL TIMES. THE NEWS STORY SUMMARIZES THE NEW INTERNATIONAL COCOA AGREEMENT JUST NEGOTIATED IN GENEVA. IT NOTES THAT THE AGREEMENT AS FINALLY NEGOTIATED WAS UNSATISFACTORY TO BOTH THE UNITED STATES AND THE IVORY COAST, AND THAT WHILE THE IVORY COAST WILL PROBABLY EVENTUALLY FALL IN LINE, IT POINTS OUT THAT "THIS PROSPECT SEEMS UNLIKELY" FOR THE US.

2. FULL TEXT FOLLOWS: A MORE WORKABLE COMPROMISE -- SOME DELEGATIONS HERE HOPE THAT THE U.S. MAY ULTIMATELY JOIN THE NEW INTERNATIONAL COCOA AGREEMENT -- FOR POLITICAL REASONS -- REGARDLESS OF HOW UNSATISFACTORY THE TERMS MAY APPEAR TO THE WORLD'S LARGEST COCOA CONSUMING COUNTRY.

THIS PROSPECT SEEMS UNLIKELY, DESPITE DR. KISSINGER'S DECLARED INTENTIONS OF GREATER SUPPORT FOR COMMODITY AGREEMENTS, BUT THERE DOES SEEM A GOOD CHANCE THAT THE UNCLASSIFIED

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IVORY COAST -- THE MAJOR DISSIDENT ON THE PRODUCER SIDE - MAY SIGN THE PACT SOME TIME AFTER THE PRESENT ELECTORAL CAMPAIGN AND BEFORE AUGUST OF NEXT YEAR.

PARTICIPATION: THIS WOULD PRODUCE ESSENTIALLY THE SAME PATTERN OF PARTICIPATION AS UNDER THE PREVIOUS AGREEMENT. THIS TIME, HOWEVER, THERE IS A GOOD CHANCE THAT, PATHER THAN BEING OVERTAKEN BY MARKET DEVELOPMENTS AS IN THE LAST THREE YEARS, THE AGREEMENT

(FINALLY WORKED OUT AT THE WEEK-END) WILL BE CALLED ON TO PLAY AN ACTIVE ROLE IN THE MARKET.

WHETHER THE COMBINATION OF EXPORT QUOTAS AND BUFFER STOCK ACTIVITIES WILL HOLD UP IN THE CIRCUMSTANCES REMAINS TO BE SEEN, BUT CLEARLY THE NEW ARRANGEMENTS ARE A CONSIDERABLE IMPROVEMENT OVER PRESENT ONES.

THE RANGE HAS BEEN INCREASED FROM THE EXISTING 9 CENTS TO A MORE REALISTIC 16 CENTS, WITH A 6 CENT ZONE ABOVE THE 47 U.S. CENTS A POUND MID-POINT, WITHIN WHICH THE MARKET CAN OPERATE FREE OF ALL INSTITUTIONAL INTERVENTION. THE AMERICANS HAD PROPOSED A 10 CENT FREE ZONE SQUARELY AROUND THE MID-POINT, BUT THE COMPROMISE FORMULA IS A STEP IN THE RIGHT DIRECTION.

ARRANGEMENTS FOR BUFFER STOCK PURCHASES AND SALES ARE ALSO MUCH MORE SATISFACTORY, WITH THE POSSIBILITY OF DIRECT PURCHASES ON THE MARKET AT THE LOWER END OF THE PRICE RANGE AND BELOW THE MINIMUM PRICE OF 39 U.S. CENTS.

EXPORT QUOTAS, WHICH ARE UNDERSTOOD TO REMAIN THE SAME AS UNDER THE EXISTING AGREEMENT, WOULD BE APPLIED AT 100 PER CENT, IN THE 45-47 CENT ZONE, IMMEDIATELY BELOW THE MID-POINT. IN THE 42 TO 45 CENT ZONE THEY WOULD BE CUT TO 97 PER CENT, WITH THE BUFFER STOCK PICKING UP THE ADDITIONAL 3 PER CENT.

IF THE PRICE THEN FELL TO BETWEEN 39 AND 42 CENTS,

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INFO OCT-01 AF-06 ARA-10 EUR-12 EA-09 NEA-10 IO-10 ISO-00

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R 221704Z OCT 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5799

INFO AMEMBASSY ABIDJAN
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THE BUFFER STOCK WOULD BE ENTITLED TO PURCHASE UP TO
AN ADDITIONAL 4 PER CENT OF THE EXPORT QUOTA TOTAL,
EITHER FROM THE PRODUCERS OR DIRECTLY FROM THE MARKET.
BELOW THE MINIMUM PRICE, BUFFER STOCK PURCHASES WOULD
BE CONTINUED UP TO A MAXIMUM OF 250,000 TONNES, OR
AB OUT ONE SIXTH OF THE TOTAL ANNUAL COCOA PRODUCTION.

ON THE UPPER SIDE, ALL QUOTAS AND BUFFER STOCK OPERATIONS WILL BE SUSPENDED IN THE 47 TO 53 CENT ZONE, WHILE BETWEEN 53 AND 55 CENTS, THE BUFFER STOCK MANAGER WOULD BE ENTITLED TO SELL UP TO 7 PER CENT OF THE TOTAL EXTENT

THAT THE STOCK HELD SUFFICIENT RESERVES, IF THE PRICE WENT ABOVE THE 55 CENT MAXIMUM AND UNTIL THE PRICE CAME BACK WITHIN THE AGREED RANGE.

THE NEW AGREEMENT ALSO PROVIDES FOR REVISION OF THIS ADMITTEDLY HIGH PRICE RANGE IN THE EVENT OF MONETARY UPHEAVALS OR OTHER SIGNIFICANT MARKET FACTORS.

IT WOULD APPEAR FROM THE COMMENTS OF SEVERAL DELEGATIONS THAT THE PRODUCERS WOULD NEVER HAVE OBTAINED SUCH A STARTLINGLY LARGE INCREASE IN THE PRICE RANGE HAD THE EUROPEAN COMMUNITY NOT NEGOTIATING AS A SINGLE UNIT. WITH EACH COUNTRY FREE TO NEGOTIATE ITS OWN POSITION, IT IS BELIEVED THAT THE MAJOR CONSUMER COUNTRIES WITHIN THE COMMUNITY WOULD HAVE HELD OUT FOR A LOWER RANGE, AT THE RISK OF PRECIPITATING A BREAK-DOWN IN THE PRESENT CONFERENCE WITH A RECONVENED SESSION

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NEXT YEAR.

THE PROSPECT OF A STALEMATE WAS VERY REAL LAST FRIDAY, WHEN THE DISCUSSIONS WERE DUE TO END. IT IS KNOWN THAT SEVERAL DELEGATIONS, INCLUDING CERTAIN PRODUCERS, WOULD HAVE BEEN PREPARED TO POSTPONE ANY FINAL DECISION UNTIL NEXT YEAR, GIVING GOVERNMENTS SUFFICIENT TIME TO EXAMINE THE AMERICAN BUFFER STOCK ORIENTED PROPOSALS.

AS IT WAS, THE MERITS OF THE AMERICAN CASE, WHICH WAS PRESENTED LATE IN THE DAY, WERE GIVEN SHORT SHRIFT HERE BY DELEGATIONS UNABLE TO MODIFY THE INSTRUCTIONS THEY HAD RECEIVED. THESE, AS CAN BE SEEN FROM THE FINAL ARRANGEMENTS, WERE AIMED ESSENTIALLY AT A

RENEWAL OF THE EXISTING PACT, THOUGH WITH MORE FLEXIBLE TERMS AND A SOMEWHAT BROADER RANGE.

OF CONSIDERABLE IMPORTANCE FOR THE CHANCES OF THE AGREEMENT IS THE FACT THAT A LARGE /BUFFER STOCK FUND HAS ALREADY BEEN BUILT UP THROUGH THE 1 CENT PER POUND LEVY ON COCOA EXPORTS UNDER THE PRESENT SCHEME.

THE TOTAL AMOUNT NOW STANDS IN EXCESS OF \$50M., AND IS EXPECTED TO RISE TO MORE THAN \$80M. BY SEPTEMBER 30, 1976 WHEN THE PRESENT AGREEMENT EXPIRES AND THE NEW ONE COMES INTO FORCE.

IVORY COAST: SHOULD THE IVORY COAST DECIDE TO STAY OUT OF THE AGREEMENT, THIS ITSELF WOULD NOT TORPEDO CHANCES OF ITS SUCCESSFUL OPERATION. RATIFICATION BY THE REQUISITE NUMBER OF PRODUCERS TO BRING THE PACT INTO EFFECT COULD BE REACHED, AND THE IVORY COAST

COULD BE EXPECTED TO ALIGN ITS EXPORT POLICIES WITH
THOSE OF OTHER MAJOR PRODUCERS IN THE AGREEMENT.

ON THE CONSUMER SIDE, THE U.S. CAN, AS IT VIRTUALLY
UNDERTOOK TO DO UNDER THE PRESENT AGREEMENT, PLAY
THE MARKET GAME LARGELY IN TUNE WITH THE OTHER
PARTICIPATING CONSUMERS.

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